



Ramotshere Moiloa Local Municipality
Annual financial statements
for the year ended June 30, 2015

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Provision of municipal services to communities within Zeerust, Lehurutshe and Groot Marico areas.
Mayor	Cllr Thale AN
Speaker	Cllr Thwesha AJ
Executive Council	Cllr Mbangi LT Cllr Dreyer C Cllr Manthoko KI Cll Mediro PP Cllr Moabi Cllr Montwedi BE Cllr Raimana SC Cllr Amodis J Cllr Casanga AB Cllr Gae ME Cllr Lamola GA Cllr Maetla JP Cllr Maleke KJ Cllr Matebesi A Cllr Megalane MG Cllr Modibetsane S Cllr Mogotsi OK Cllr Moiloa OC Cllr Mokgathle JK Cllr Mokgothu BS Cllr Mokotedi WBM Cllr Mokotong P Cllr Moroeng NT Cllr Mosiane MK Cllr Motang PM Cllr Mothusi P Cllr Ngweye SF Cllr Nyanto SH Cllr Phale KR Cllr Pilane MP Cllr Pine B Cllr Pule HK Cllr Senna R Cllr Senna S Cllr Seswane KQ Cllr Sikwa B Cllr Tsile CS
Councillors	
Grading of local authority	3
Accounting Officer	C Maema
Chief Finance Officer (CFO)	G Moroane

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General Information

Business address	C/o President & Coetzee Street Zeerust 2865
Postal address	P O Box 92 Zeerust 2865
Bankers	First National Bank

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 5 to 46, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed by him:

C Maema
Accounting Officer

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Officer's Report

The accounting officer submits his report for the year ended June 30, 2015.

1. Review of activities

Main business and operations

The municipality main business is the provision of services to the community in line with Part B of Schedule 4 and Part B of Schedule 5 of the Constitution. The municipality provides services in Zeerust, Lehurutse and Groot Marico.

Net surplus of the municipality is R 28,878,424 (2014: surplus R 76,549,797).

2. Going concern

The annual financial statements have been prepared on the going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act 2003 (Act NO. 56 of 2003) (MFMA) and the Division of Act South Africa (Act No 2 of 2013) (DoRA).

The annual financial statements are prepared in accordance with the Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
C Maema	South African

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Audit and risk committee

For the 2015 financial year the chairperson of the audit committee was Ms. Simthandile-Peter, who is an independent audit and risk committee member. The committee met 11 times during the year to perform its functions as per their charter matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, No 56 of 2003, the municipality, must appoint members of the Audit Committee.

7. Auditors

Auditor General South Africa will continue in office for the next financial period.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Statement of Financial Position as at June 30, 2015

	Note(s)	2015 R	2014 R
Assets			
Current Assets			
Inventories	9	35,792,082	32,311,233
Other financial assets	7	1,981,102	1,289,429
Receivables from exchange transactions		6,470	6,927
Receivables from non-exchange transactions	10	3,832,563	4,902,514
Consumer debtors	11	19,293,313	41,425,584
Cash and cash equivalents	12	18,146,493	3,830,869
		79,052,023	83,766,556
Non-Current Assets			
Investment property	3	18,844,697	18,915,338
Property, plant and equipment	4	538,498,490	536,496,277
Intangible assets	5	3,469,559	3,032,809
Heritage assets	6	404,550	404,550
		561,217,296	558,848,974
Total Assets		640,269,319	642,615,530
Liabilities			
Current Liabilities			
Long-term liabilities	15	756,064	4,289,612
Finance lease obligation	13	845,156	1,621,674
Payables from exchange transactions	17	51,485,619	61,867,889
VAT payable	18	7,728,678	10,225,273
Consumer deposits	19	1,357,035	1,180,401
Employee benefit obligation	8	816,000	686,000
Unspent conditional grants and receipts	14	26,859,918	714,669
Provisions	16	953,419	4,306,000
		90,801,889	84,891,518
Non-Current Liabilities			
Long-term liabilities	15	5,557,946	6,533,871
Employee benefit obligation	8	34,659,000	28,794,000
Provisions	16	17,076,000	8,788,000
		57,292,946	44,115,871
Total Liabilities		148,094,835	129,007,389
Net Assets		492,174,484	513,608,141
Accumulated surplus		492,174,484	513,608,141

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Annual Financial Statements for the year ended June 30, 2015

Statement of Financial Performance

	Note(s)	2015 R	2014 R
Revenue			
Revenue from exchange transactions			
Service charges	22	60,789,864	43,809,845
Sale of Land		1,515,982	2,078,710
Rental of facilities and equipment	34	129,801	98,628
Licences and permits		3,728,589	3,699,224
Miscellaneous other revenue		2,011,850	509,005
Other income	24	88,409	8,119,529
Interest received - investment	29	741,056	98,808
Total revenue from exchange transactions		69,005,551	58,413,749
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	21,843,139	19,847,853
Transfer revenue			
Government grants & subsidies	23	162,320,049	152,113,070
Fines, Penalties and Forfeits		5,713,111	7,342,458
Total revenue from non-exchange transactions		189,876,299	179,303,381
Total revenue	20	258,881,850	237,717,130
Expenditure			
Bulk purchases	36	(35,132,052)	(34,968,683)
Contracted services	35	(5,728,182)	(5,328,380)
Debt Impairment	28	(42,841,196)	35,018,001
Depreciation and amortisation	31	(37,238,233)	(26,536,703)
Employee related costs	26	(103,878,112)	(80,847,066)
General Expenses	25	(43,901,959)	(31,648,941)
Finance costs	32	(2,014,375)	(1,308,830)
Remuneration of councillors	27	(11,421,583)	(10,636,934)
Lease rentals on operating lease		-	(182,872)
Repairs and maintenance		(6,296,255)	(4,746,577)
Total expenditure		(288,451,947)	(161,186,985)
Surplus for the year		(29,570,097)	76,530,145
Fair value adjustments	30	691,673	19,651
(Deficit) surplus for the year		(28,878,424)	76,549,796

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at July 1, 2013	493,164,170	493,164,170
Changes in net assets		
Prior year adjustment	(56,105,826)	(56,105,826)
Net income (losses) recognised directly in net assets	(56,105,826)	(56,105,826)
Surplus for the year	76,549,797	76,549,797
Total recognised income and expenses for the year	20,443,971	20,443,971
Total changes	20,443,971	20,443,971
Balance at July 1, 2014	513,608,141	513,608,141
Changes in net assets		
Prior period error	7,444,767	7,444,767
Net income (losses) recognised directly in net assets	7,444,767	7,444,767
Surplus for the year	(28,878,424)	(28,878,424)
Total recognised income and expenses for the year	(21,433,657)	(21,433,657)
Total changes	(21,433,657)	(21,433,657)
Balance at June 30, 2015	492,174,484	492,174,484
Note(s)		

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Annual Financial Statements for the year ended June 30, 2015

Cash Flow Statement

	Note(s)	2015 R	2014 R
Cash flows from operating activities			
Receipts			
Service charges & rates		75,225,347	60,068,824
Grants		188,465,298	123,207,746
Interest income		741,056	33,696
Other receipts		7,029,057	97,771,784
		<u>271,460,758</u>	<u>281,082,050</u>
Payments			
Employee costs		(105,382,397)	(97,995,190)
Suppliers		(104,998,083)	(124,388,675)
Finance costs		(2,014,375)	(1,308,830)
		<u>(212,394,855)</u>	<u>(223,692,695)</u>
Net cash flows from operating activities	37	<u>59,065,903</u>	<u>57,389,355</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(39,191,347)	(66,228,042)
Purchase of other intangible assets	5	(272,940)	(144,700)
Net movements in financial assets		-	19,651
Net cash flows from investing activities		<u>(39,464,287)</u>	<u>(66,353,091)</u>
Cash flows from financing activities			
Repayment of long-term liabilities		(4,509,474)	12,718,847
Finance lease payments		(776,518)	(713,456)
Net cash flows from financing activities		<u>(5,285,992)</u>	<u>(11,436,603)</u>
Net increase/(decrease) in cash and cash equivalents		14,315,624	(20,400,339)
Cash and cash equivalents at the beginning of the year		3,830,869	24,231,208
Cash and cash equivalents at the end of the year	12	<u>18,146,493</u>	<u>3,830,869</u>

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	47,422,168	7,733,104	55,155,272	60,789,864	5,634,592	
Rendering of services	1,177,880	-	1,177,880	1,515,982	338,102	
Rental of facilities and equipment	250,000	(82,415)	167,585	129,801	(37,784)	
Licences and permits	2,000,000	1,750,000	3,750,000	3,728,589	(21,411)	
Miscellaneous other revenue	-	3,514,198	3,514,198	2,011,850	(1,502,348)	
Other income - (rollup)	39,646,468	(37,110,113)	2,536,355	88,409	(2,447,946)	
Interest received - investment	2,725,095	(2,695,950)	29,145	741,056	711,911	
Investment Income	100,000	24,313	124,313	-	(124,313)	
Total revenue from exchange transactions	93,321,611	(26,866,863)	66,454,748	69,005,551	2,550,803	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	15,000,000	4,416,172	19,416,172	21,843,139	2,426,967	
Transfer revenue						
Government grants & subsidies	150,264,200	6,474,092	156,738,292	162,320,049	5,581,757	
Fines, Penalties and Forfeits	2,000,000	4,122,159	6,122,159	5,713,111	(409,048)	
Total revenue from non-exchange transactions	167,264,200	15,012,423	182,276,623	189,876,299	7,599,676	
Total revenue	260,585,811	(11,854,440)	248,731,371	258,881,850	10,150,479	
Expenditure						
Employee Related Costs	(81,650,233)	(11,159,027)	(92,809,260)	(103,878,112)	(11,068,852)	
Remuneration of councillors	(12,592,063)	2,500,446	(10,091,617)	(11,421,583)	(1,329,966)	
Depreciation and amortisation	(5,000,000)	(637,348)	(5,637,348)	(37,238,233)	(31,600,885)	
Finance costs	(1,750,000)	485,459	(1,264,541)	(2,014,375)	(749,834)	
Bad debts written off	-	-	-	(42,841,196)	(42,841,196)	
Repairs and maintenance (other materials)	(15,989,467)	7,224,309	(8,765,158)	(6,296,255)	2,468,903	
Bulk purchases	(30,000,000)	(2,317,926)	(32,317,926)	(35,132,052)	(2,814,126)	
Contracted Services	(7,928,333)	2,750,196	(5,178,137)	(5,728,182)	(550,045)	
	-	-	-	-	-	
General Expenses	(63,806,715)	(17,833,233)	(81,639,948)	(43,901,958)	37,737,990	
Total expenditure	(218,716,811)	(18,987,124)	(237,703,935)	(288,451,946)	(50,748,011)	
Operating deficit	41,869,000	(30,841,564)	11,027,436	(29,570,096)	(40,597,532)	
Fair value adjustments	-	-	-	691,673	691,673	
Deficit before taxation	41,869,000	(30,841,564)	11,027,436	(28,878,423)	(39,905,859)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	41,869,000	(30,841,564)	11,027,436	(28,878,423)	(39,905,859)	

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

These estimates and underlying assumptions are reviewed on an going concern basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period of the revision and future periods if the revision affects both the current and future periods. The nature and reasons of the uncertainty, judgement made and the impact to the amounts presented in the financial statements are disclosed on the notes to the financial statements.

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Allowance for slow moving, damaged and obsolete inventory

The municipality assesses an allowance for inventory to write inventory down to the lower of cost or net realisable value. The write down is recognised in surplus or deficit.

Impairment testing

The recoverable amounts of cash and non-cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values of assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The municipality reviews residual values of assets to determine if there is a change in the amount that the municipality would obtain from disposal of the asset, after deducting the estimated costs of disposal, if that asset was already of the age and condition expected at the end of its useful life.

Post retirement benefits

The present value of the post employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

1.3 Investment property

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

1.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies

1.4 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Land has an indefinite useful life therefore it is not depreciated.

Depreciation of an asset commences when the asset is ready for its intended use.

Residual values used are amounts obtained from the industry dealers less costs of disposal, taking into account the age and condition expected at the end of asset useful life..

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	indefinite
Buildings	30 - 50 years
Plant and machinery	3 - 10 years
Furniture and fixtures	3 - 10 years
Motor vehicles	5 - 7 years
Office equipment	3 - 7 years
Computer equipment	3 - 7 years
Infrastructure	3 - 50 years
Community	10 - 50 years
Other property, plant and equipment	3 - 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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Accounting Policies

1.4 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Where an intangible asset is acquired through an exchange transaction, it is initially recognised at cost.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.7 Heritage assets

Assets are resources controlled by the municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Transitional provision

The municipality changed its accounting policy for heritage assets in 2015. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.8 Interest in joint venture

An interest in a joint venture is carried at cost less any accumulated impairment.

Surpluses and deficits resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

The municipality's share of surpluses or deficits, resulting from purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

In respect of its interest in jointly controlled assets, the municipality recognises in its annual financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Cash and cash equivalents

These are initially and subsequently recorded at fair value. For cash flow purposes, cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. These are subject to an insignificant risk of changes in value.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Impairment loss is recognised against an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed against allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.10 Leases (continued)

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

The municipality leases certain property, plant and equipment. Leases of property, plant and equipment where the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over their shorter of the useful life of the asset and the lease term. The municipality will not incur a foreign currency lease liability other than that allowed by the MFMA Act (Act 56 of 2003)

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at weighted average cost, except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.11 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to the Valuation Roll or total cost of servicing the land such as direct costs and portion of overhead costs that relates to the development.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

The municipality and its employees contribute to various pension, provident and retirement funds and its Councillors contribute to the Pension Fund for Municipal Councillors. The retirement benefit are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis as per the requirements of the various funds. Current contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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Accounting Policies

1.14 Employee benefits (continued)

Defined benefit plans

The municipality provides certain post retirement medical benefits by funding the medical aid contributions for retired members of the municipality. According to the rules of the medical aid fund associated with the municipality, when a member who joined the municipality under the current conditions of service retires, she/he is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These funds are classified as defined benefit plans. The cost of providing the benefits is determined using the projected unit credit method prescribed by IAS 19. Future benefit values are projected using specific assumptions, and the liability for in service members is accrued over the expected lifetime. No plan assets exist and any actuarial gains or losses are recognised immediately.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Current Service Costs and Interest Costs are recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service costs include the expense for the benefits received by the employee currently in service and the cost of funding the employee when no longer in service. The expense for the year is included in the employee benefit expense in the statement of financial performance.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other long term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.15 Provisions and contingencies (continued)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

Illegal Dumping: The municipality has an obligation to rehabilitate any contaminated land through illegal dumping. A provision has been established and recognised at the present value of the expenditure expected to settle the obligation and is carried at amortised cost.

Landfill sites: The municipality has an obligation to rehabilitate its landfill sites in terms of its licencing stipulations. A provision has been established from 2008/9. The amount of the provision is recognised at the present value of the expenditure expected to settle the obligations and is carried at amortised cost.

1.16 Revenue from exchange transactions

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimated consumptions are made monthly when meters have not been read. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

Income from agency services: Income from agency services is recognised on a monthly basis once the income collected/received on behalf of agents has been quantified. The income is recognised in terms of the agency agreement.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.17 Revenue from non-exchange transactions

Unconditional grants and receipts

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available, which in most cases is on receipt

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.18 Value Added Tax

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate of 14% in terms of section 7(1)(a) of the VAT Act in respect of supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.19 Pre-paid electricity

Revenue from the sale of electricity using pre-paid meter cards is recognised based on consumption.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification is disclosed

Where accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or

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Accounting Policies

1.25 Irregular expenditure (continued)

- (b) the Municipal Systems Act, (Act No. 32 of 2000), Public Office Bearers Act (Act No. 20 of 1998) or any regulations made in terms of these Acts; or; or
- (c) the municipality's Supply Chain Management Policies or any provincial legislation/guidelines providing for procurement procedures in the municipalities.

Irregular expenditure is accounted for as an expense in the statement of financial performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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Notes to the Annual Financial Statements

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103: Heritage Assets	April 1, 2014	The impact of the amendment is not material.
• GRAP 100: Non- Current Assets Held for Sale	April 1, 2014	The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	April 1, 2016	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	April 1, 2015	

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2015 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	April 1, 2015	None
• GRAP 105: Transfers of functions between entities under common control	April 1, 2015	None
• IGRAP 11: Consolidation – Special purpose entities	April 1, 2015	None
• GRAP 7 (as revised 2010): Investments in Associates	April 1, 2015	None
• GRAP32: Service Concession Arrangements: Grantor	April 1, 2016	None
• GRAP108: Statutory Receivables	April 1, 2016	None

3. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	20,715,292	(1,870,595)	18,844,697	20,715,292	(1,799,954)	18,915,338

Ramotshere Moiloa Local Municipality

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3. Investment property (continued)

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	18,915,338	(70,642)	18,844,696

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	18,985,980	(70,642)	18,915,338

The municipality entered into a joint arrangement with ABSA Bank for the construction of a building for leasing purposes. The terms of the arrangement were as follows:

- The municipality contributed a piece of land, which was valued at R700,000 whilst ABSA contributed R6,300,00 for the construction of building.
- The municipality's contribution was deemed to be worth 10% and ABSA 90%.
- On completion of the building, ABSA occupied the building and leased additional rental space.
- Building operating costs are deducted from the rental income.
- ABSA is responsible for management of the building and in return compensated with 5% of rental income plus a management fee which will be agreed between the parties.
- The residue is shared in terms of the venturers' contribution

In terms of GRAP 8 (Interest in Joint Ventures), the municipality's component/share of the building was recognised as Investment property. The nature of this jointly controlled asset is investment property as it is leased to tenants and the municipality earns rentals from it.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	16,168,232	-	16,168,232	16,168,232	-	16,168,232
Buildings	69,152,117	(37,024,307)	32,127,810	69,152,117	(32,927,497)	36,224,620
Plant and machinery	874,624	(698,883)	175,741	874,624	(502,211)	372,413
Furniture and fixtures	440,329	(240,055)	200,274	402,507	(166,667)	235,840
Motor vehicles	12,131,201	(7,795,475)	4,335,726	12,131,201	(5,357,342)	6,773,859
Office equipment	268,895	(214,403)	54,492	251,481	(194,621)	56,860
Computer equipment	943,926	(550,754)	393,171	854,050	(408,518)	445,532
Community	82,190,808	(34,580,362)	47,610,447	62,049,755	(30,493,966)	31,555,790
Servitudes/road reserves	12,546,103	-	12,546,103	12,273,992	-	12,273,992
Work in progress	35,931,966	-	35,931,966	40,134,840	-	40,134,840
Landfill site	3,946,435	(1,253,704)	2,692,731	3,946,435	(1,253,704)	2,692,731
Roads & Stormwater Assets	568,116,217	(211,974,951)	356,141,266	546,694,532	(188,886,800)	357,807,732
Electricity assets	53,842,426	(25,405,867)	28,436,558	52,548,117	(23,912,151)	28,635,967
Wastewater network	2,184	-	2,184	-	-	-
Finance Leased Assets	2,048,360	(1,365,573)	682,787	2,048,360	(682,787)	1,365,573
Other assets	4,380,742	(3,381,741)	999,002	4,386,773	(2,634,477)	1,752,296
Total	862,984,565	(324,486,075)	538,498,490	823,917,016	(287,420,741)	536,496,277

Ramotshere Moiloa Local Municipality

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	2015 R	2014 R
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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers received	Derecognition	Depreciation	Total
Land	16,168,232	-	-	-	-	16,168,232
Buildings	36,224,620	-	-	-	(4,096,810)	32,127,810
Plant and machinery	372,412	-	-	-	(196,671)	175,741
Furniture and fixtures	235,840	37,822	-	-	(73,388)	200,274
Motor vehicles	6,773,859	-	-	-	(2,438,133)	4,335,726
Office equipment	56,859	48,085	-	5,695	(56,147)	54,492
Computer equipment	445,531	176,973	-	(27,343)	(201,991)	393,170
Community	31,555,790	-	20,141,053	-	(4,086,396)	47,610,447
Servitudes/road reserve	12,273,992	-	272,111	-	-	12,546,103
Work in progress	40,134,840	38,926,283	(43,129,157)	-	-	35,931,966
Landfill site	2,692,731	-	-	-	-	2,692,731
Roads & Stormwater Assets	357,807,732	-	21,421,685	-	(23,088,151)	356,141,266
Electricity assets	28,635,967	-	1,294,308	-	(1,493,717)	28,436,558
Wastewater network	-	2,184	-	-	-	2,184
Finance Leased Assets	1,365,573	-	-	-	(682,786)	682,787
Other assets	1,752,297	-	-	-	(753,295)	999,002
	536,496,275	39,191,347	-	(21,648)	(37,167,485)	538,498,489

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers received	Depreciation	Total
Land	16,168,232	-	-	-	16,168,232
Buildings	40,321,431	-	-	(4,096,811)	36,224,620
Plant and machinery	594,366	44,550	-	(266,504)	372,412
Furniture and fixtures	543,243	174,946	-	(482,349)	235,840
Motor vehicles	8,080,153	2,753,973	-	(4,060,267)	6,773,859
Office equipment	131,641	55,792	-	(130,574)	56,859
Computer equipment	745,248	110,264	-	(409,981)	445,531
Community	35,071,675	-	-	(3,515,885)	31,555,790
Servitudes/road reserve	12,273,992	-	-	-	12,273,992
Work in progress	5,085,481	60,580,155	(25,530,796)	-	40,134,840
Landfill site	2,933,817	-	-	(241,086)	2,692,731
Roads & Stormwater Assets	357,202,066	-	22,665,141	(22,059,475)	357,807,732
Electricity assets	27,198,390	-	2,865,655	(1,428,078)	28,635,967
Finance Leased Assets	-	2,048,360	-	(682,787)	1,365,573
Other assets	2,753,847	460,002	-	(1,461,553)	1,752,296
	509,103,582	66,228,042	-	(38,835,350)	536,496,274

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3,469,559	-	3,469,559	3,032,809	-	3,032,809

Ramotshere Moiloa Local Municipality

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	2015 R	2014 R
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5. Intangible assets (continued)

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Total
Computer software	3,032,809	436,750	3,469,559

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Total
Computer software	2,888,109	144,700	3,032,809

6. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other	404,550	-	404,550	404,550	-	404,550

7. Other financial assets

Designated at fair value

Listed Fund -Sanlam	1,981,102	1,289,429
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Current assets

Designated at fair value	1,981,102	1,289,429
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Reconciliation of financial assets at fair value through surplus or deficit

Reconciliation for 2015

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Designated at fair value	1,289,429	691,673	1,981,102

Reconciliation for 2014

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Designated at fair value	1,269,778	19,651	1,289,429

8. Employee benefit obligations

Defined contribution plan

The municipality has a policy to subsidise post-employment health care costs of employees that belonged to medical scheme on their retirement. The subsidy covers the employee as well as the spouse or dependent.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
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8. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	35,475,000	29,480,000
Non-current liabilities	(34,659,000)	(28,794,000)
Current liabilities	(816,000)	(686,000)
	(35,475,000)	(29,480,000)

The municipality has no further obligation to cover unfunded benefits.

Net expense recognised in the statement of financial performance

Current service cost	1,777,000	1,971,000
Interest cost	2,685,000	1,871,000
Actuarial (gains) losses	2,274,000	1,975,000
Settlement	(741,000)	(632,000)
	5,995,000	5,185,000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.40 %	8.94 %
Consumer price inflation	7.53 %	7.05 %
Medical aid inflation	8.53 %	8.05 %
Net effective discount rate	0.80 %	0.82 %

In the 2014 valuation a point estimate was used to value the liability. For 2015 assumptions the valuers have taken a point on the yield matching the implied duration of liability.

Other assumptions

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the interest cost	4,063,000	2,893,000
Effect on defined benefit obligation	42,096,000	30,212,000
Effect on the service cost	3,006,000	1,895,000

9. Inventories

Consumable stores	6,884,383	3,403,534
Land	28,907,699	28,907,699
	35,792,082	32,311,233

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
10. Receivables from non-exchange transactions		
Fines	1,086,876	2,185,172
Rental Debtors	28,345	-
Assessment rates	2,122,743	2,122,743
Sale of land debtors	594,599	594,599
	3,832,563	4,902,514
11. Consumer debtors		
Gross balances		
Rates	40,719,978	16,372,334
Electricity	23,904,611	26,251,665
Water and Sanitation	17,146,241	39,089,839
Refuse and Other	22,410,876	15,060,932
	104,181,706	96,774,770
Less: Allowance for impairment		
Rates	(26,606,802)	(3,034,864)
Electricity	(23,315,312)	(20,750,522)
Water and Sanitation	(16,282,383)	(28,063,799)
Refuse & Other	(18,683,897)	(3,500,000)
	(84,888,394)	(55,349,185)
Net balance		
Rates	14,113,176	13,337,470
Electricity	589,299	5,501,143
Water and Sanitation	863,859	11,026,039
Refuse and Other	3,726,979	11,560,932
	19,293,313	41,425,584
Rates		
Current (0 -30 days)	771,858	1,553,323
31 - 60 days	1,400,336	1,300,657
61 - 90 days	1,161,576	1,132,385
91 - 120 days	1,105,858	1,384,673
120+ days	1,327,465	1,135,783
> 365 days	8,346,083	6,830,649
Electricity		
Current (0 -30 days)	589,299	8,763
31 - 60 days	-	581,886
61 - 90 days	-	412,771
91 - 120 days	-	4,497,723
	589,299	5,501,143
Water		
Current (0 -30 days)	863,859	18,320
31 - 60 days	-	1,216,554
61 - 90 days	-	1,458,965
91 - 120 days	-	1,563,876
120 + days	-	1,463,278
> 365 days	-	5,305,046
	863,859	11,026,039

Ramotshere Moiloa Local Municipality

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Notes to the Annual Financial Statements

	2015 R	2014 R
11. Consumer debtors (continued)		
Refuse & Other		
Current (0 -30 days)	686,317	12,824
31 - 60 days	607,824	851,580
61 - 90 days	528,489	604,083
91 - 120 days	504,087	3,510,106
120 + days	1,400,262	6,582,339
	3,726,979	11,560,932

Reconciliation of allowance for impairment

Balance at beginning of the year	(55,349,185)	(93,482,714)
Contributions to allowance	(29,539,209)	38,133,529
	(84,888,394)	(55,349,185)

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	141,513	266,272
Bank balances	4,615,976	3,512,432
Short-term deposits	13,389,004	52,165
	18,146,493	3,830,869

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2015	June 30, 2014	June 30, 2013
FNB - Cheque Account - 62063144431	3,055,996	1,103,211	1,865,255	3,055,996	1,103,210	1,865,255
FNB - Cheque Account - 54351140693	868,176	356,337	12,689,930	868,176	356,337	12,689,930
FNB - Cheque Account - 62200495960	104,089	267,593	171,268	104,089	267,593	171,268
FNB - Cheque Account - 62224998023	577,117	1,774,694	902,697	577,117	1,774,694	902,697
FNB - Call Account	-	-	10,598	10,598	10,598	10,598
Total	4,605,378	3,501,835	15,639,748	4,615,976	3,512,432	15,639,748

13. Finance lease obligation

Minimum lease payments due

- within one year	845,156	776,519
- in second to fifth year inclusive	-	845,156

Present value of minimum lease payments

845,156	1,621,675
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Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	18,805,728	-
Neighbourhood Development Programme Grant	-	495,780
Library Grant	-	218,889
LGSETA	1,547,230	-
INEP	1,506,960	-
Local Government	5,000,000	-
	26,859,918	714,669
The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and		
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.		
See note 23 for reconciliation of grants from National/Provincial Government.		
15. Long-term liabilities		
At amortised cost		
DBSA Loan 100121/3	2,354,828	3,164,003
The loan has a fixed interest rate of 15.15% per annum and is repayable in 30 equal half-yearly instalments. The loan period is 15 years and redemption date is 30 June 2019		
DBSA Loan 102400/1	2,217,880	2,313,934
The loan has fixed interest rate of 5% per annum and is repayable in 40 equal instalments. The loan period is 20 years expiring in 30 September 2028		
DBSA Loan 100702/1	985,238	1,055,934
The loan has a fixed interest rate of 11.73% per annum and is repayable in 40 equal half-yearly instalments. The loan period is 20 years and redemption date is 30 June 2026		
Short term portion of long term loans	756,064	1,035,612
National Treasury Loan	-	3,254,000
This loan results from unapproved roll-over funds from 2011/12 and is repayable to National Treasury in equal quartely instalments set-off against Equitable Share Grant of the municipality in 2014/15 financial period		
	6,314,010	10,823,483
Total other financial liabilities	6,314,010	10,823,483
Non-current liabilities		
At amortised cost	5,557,946	6,533,871
Current liabilities		
At amortised cost	756,064	4,289,612

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
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16. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	4,605,000	3,577,000	4,306,000	12,488,000
Performance Bonus	-	953,419	-	953,419
Long service award	4,183,000	405,000	-	4,588,000
Other provisions	4,306,000	-	(4,306,000)	-
	13,094,000	4,935,419	-	18,029,419

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	6,000,000	-	-	(1,395,000)	4,605,000
Long service award	2,793,000	1,135,000	255,000	-	4,183,000
Other provisions	5,255,000	-	(949,000)	-	4,306,000
	14,048,000	1,135,000	(694,000)	(1,395,000)	13,094,000

Non-current liabilities	17,076,000	8,788,000
Current liabilities	953,419	4,306,000
	18,029,419	13,094,000

Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act, 28 of 2002). The provision was determined by an independent expert as at 30 June 2015 and approximates the discounted expected future cash flows using reasonable estimation techniques.

During the current year, licences for the illegal dumpsites were obtained. The current liability raised as a provision has therefore been moved to non-current as the municipality will rehabilitate the sites when the landfill sites are full.

Long service award

In addition to normal leave an employee shall qualify for the following additional leave as recognition for service at the same employer, which shall be paid out respectively once only the date on which the various periods of continues service have been completed, as follows.

After 10 years service - 10 working days
 After 15 years service - 20 working days
 After 20 years service - 30 working days
 After 25 years service - 30 working days
 After 30 years service - 30 working days
 After 35 years service - 30 working days
 After 40 years service - 30 working days
 After 45 years service - 30 working days.

An employee may choose to either utilise the leave for holiday purposes or en-cash leave within 12 months.

The two most important financial variables used in our valuation are the discount rate and salary inflation. An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events.

Discount rate

Ramotshere Moiloa Local Municipality

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	2015 R	2014 R
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16. Provisions (continued)

IAS19 defines the determination of the Discount rate assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet* date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet* date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations."reimbursement.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

17. Payables from exchange transactions

Trade payables	26,524,158	40,007,366
Payments received in advanced	103,810	421,319
Net salary clearing account	409,234	124,843
Accrued leave pay	7,393,636	5,268,583
Accrued bonus	2,450,914	2,209,925
Interest Accrued	7,386	7,386
Other payables	3,185,590	8,002,904
Consumer Debtors-Unknown	6,034,795	1,051,782
Backpay Salary	1,414,918	976,092
Retentions	3,961,178	3,797,689
	51,485,619	61,867,889

18. VAT payable

Tax Payable	7,728,678	10,225,273
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Municipality is registered for VAT on a payment basis.

19. Consumer deposits

Electricity	1,202,361	1,137,227
Water	154,674	43,174
	1,357,035	1,180,401

20. Revenue

Rendering of services	1,515,982	2,078,710
Service charges	60,789,864	43,809,845
Rental of facilities and equipment	129,801	98,628
Licences and permits	3,728,589	3,699,224
Miscellaneous other revenue	2,011,850	509,005
Other income	88,409	8,119,529
Interest received - investment	741,056	98,808
Property rates	21,843,139	19,847,853
Government grants & subsidies	162,320,049	152,113,070
Fines, penalties and forfeits	5,713,111	7,342,458
	258,881,850	237,717,130

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

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	2015 R	2014 R
20. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	60,789,864	43,809,845
Rendering of services	1,515,982	2,078,710
Rental of facilities and equipment	129,801	98,628
Licences and permits	3,728,589	3,699,224
Miscellaneous other revenue	2,011,850	509,005
Other income	88,409	8,119,529
Interest received - investment	741,056	98,808
	69,005,551	58,413,749
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	21,843,139	19,847,853
Transfer revenue		
Government grants & subsidies	162,320,049	152,113,070
Fines, penalties and forfeits	5,713,111	7,342,458
	189,876,299	179,303,381
21. Property rates		
Rates received		
Residential	9,093,159	10,386,201
Commercial	7,789,896	7,265,857
State	1,069,173	1,763,954
Agriculture	3,890,912	431,841
	21,843,140	19,847,853
22. Service charges		
Sale of electricity	45,243,035	24,755,810
Sale of water	7,694,240	10,203,468
Sewerage and sanitation charges	1,999,528	2,392,672
Refuse removal	5,853,061	6,457,896
	60,789,864	43,809,846

Ramotshere Moiloa Local Municipality

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Notes to the Annual Financial Statements

	2015 R	2014 R
23. Government grants and subsidies		
Operating grants		
Equitable share	102,166,000	88,636,999
Municipal Systems Improvement Grant	934,000	890,005
Library Grants	718,889	598,557
Financial Management Grant	1,600,000	1,550,662
LG Seta	2,050,068	-
EPWP Grant	1,464,000	1,135,000
	108,932,957	92,811,223
Capital grants		
MIG	45,818,272	48,019,420
NDPG	3,575,780	11,282,428
INEP	3,993,040	-
	53,387,092	59,301,848
	162,320,049	152,113,071
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	27,024,420
Current-year receipts	34,624,000	20,995,000
Conditions met - transferred to revenue	(45,818,272)	(48,019,420)
Additional Funding	30,000,000	-
	18,805,728	-
Conditions still to be met - remain liabilities (see note 14).		
Municipal Systems Improvement Grant		
Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)
	-	-
Neighbourhood Development Grant		
Balance unspent at beginning of year	495,780	495,780
Current-year receipts	3,080,000	9,500,000
Conditions met - transferred to revenue	(3,575,780)	(11,283,928)
Other	-	1,783,928
	-	495,780
Financial Management Grant		
Current-year receipts	1,600,000	1,550,000
Conditions met - transferred to revenue	(1,600,000)	(1,550,000)
	-	-
Library Grant		
Balance unspent at beginning of year	218,889	218,889

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
23. Government grants and subsidies (continued)		
Current-year receipts	500,000	500,000
Conditions met - transferred to revenue	(718,889)	(500,000)
	-	218,889
EPWP		
Current-year receipts	1,464,000	1,135,000
Conditions met - transferred to revenue	(1,464,000)	(1,135,000)
	-	-
LGSETA		
Current-year receipts	3,597,298	-
Conditions met - transferred to revenue	(2,050,068)	-
	1,547,230	-
Conditions still to be met - remain liabilities (see note 14).		
Provide explanations of conditions still to be met and other relevant information.		
INEP		
Current-year receipts	5,500,000	-
Conditions met - transferred to revenue	(3,993,040)	-
	1,506,960	-
Conditions still to be met - remain liabilities (see note 14).		
Local Government		
Current-year receipts	5,000,000	-
Conditions still to be met - remain liabilities (see note 14).		
Provide explanations of conditions still to be met and other relevant information.		
24. Other income		
Borrow pits materials sale	88,409	1,616,010
Unallocated deposits	-	6,503,520
	88,409	8,119,530

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
25. General expenses		
Advertising	213,110	277,370
Arbitration Fees	391,228	-
Auditors remuneration	3,110,944	3,266,161
Bank charges	995,906	748,544
Billing charges	201,630	152,944
Chemicals	67,789	45,482
Community development and training	2,518,292	1,522,515
Conferences and seminars	648,348	260,989
Consulting and professional fees	7,202,892	6,273,075
Consumables	1,120,311	1,336,368
Discount Allowed	1,014,266	861,489
Electricity	31,673	142,713
Employee awareness	38,346	49,512
Extended public works program	3,872,955	3,477,897
Hire	57,867	346,794
Insurance	493,432	555,881
IT expenses	114,641	91,145
Inventory adjustment	(2,335,496)	1,687,412
Fuel and oil	2,098,560	2,008,362
Funeral Costs	49,444	54,287
Indigent subsidy	2,506,869	991,089
Landfill site provision	3,577,000	-
Other expenses	3,662,589	294,064
Postage and courier	111,641	31,525
Printing and stationery	1,102,911	544,754
Refuse	97,249	399,074
Right of use - Water	150,566	47,820
Sitting allowance	3,394,041	2,902,157
Software expenses	463,618	-
Staff welfare	99,751	22,727
Store and materials	318,817	228,352
Subscriptions and membership fees	1,110,875	504,015
Telephone and fax	927,698	970,204
Training	2,776,148	752,363
Travel - local	1,266,676	509,014
Uniforms	429,371	292,843
	43,901,958	31,648,941

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
26. Employee related costs		
Basic	59,989,523	46,713,410
Bonus	3,971,697	3,261,827
Medical aid - company contributions	5,706,328	4,356,467
UIF	533,845	450,266
SDL	767,875	625,909
Leave pay provision charge	2,125,053	(3,493,355)
Pension Fund Contributions	11,159,805	9,225,537
Travel, motor car, accommodation, subsistence and other allowances	2,709,684	2,401,305
Overtime payments	5,038,975	5,158,832
Long-service awards	839,643	1,453,586
Acting allowances	944,107	1,501,930
Housing benefits and allowances	544,892	531,632
Leave Encashment	-	1,064,340
Cellphone Allowance	399,165	286,119
Bargaining Council	29,535	23,133
Leave Payout	150,390	415,041
Standby Allowance	1,278,187	1,407,276
PAYE	1,194,408	278,813
Post retirement medical benefit	5,995,000	5,185,000
Termination benefits	500,000	-
	103,878,112	80,847,068

Remuneration of Municipal Manager

Annual Remuneration	1,012,692	819,507
Car Allowance	96,000	96,000
Cellphone Allowance	24,000	13,000
Contributions to UIF, Medical and Pension Funds	1,865	20,117
Telephone Allowance	-	4,000
Leave encashment	-	29,584
Skills development levy	11,073	9,000
	1,145,630	991,208

Remuneration of Chief Finance Officer

Annual Remuneration	919,648	644,883
Cellphone allowance	18,000	6,000
Contributions to UIF, Medical and Pension Funds	1,864	1,487
Skills development levy	9,222	6,509
	948,734	658,879

Remuneration of Director Corporate Services

Annual Remuneration	734,497	254,953
Cellphone Allowance	-	4,500
Telephone Allowance	18,000	3,000
Car Allowance	160,000	-
Contributions to UIF, Medical and Pension Funds	1,853	595
Skills development levy	8,547	2,528
	922,897	265,576

Remuneration of Director Technical Services

Annual Remuneration	928,031	773,859
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Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
26. Employee related costs (continued)		
Cell Allowance	18,000	6,000
Contributions to UIF, Medical and Pension Funds	1,865	1,785
Skills Development Levy	9,460	7,799
	957,356	789,443

Remuneration of Director Community Services

Annual Remuneration	828,031	773,859
Car Allowance	100,000	-
Contributions to UIF, Medical and Pension Funds	3,205	26,470
Leave Encashment	-	24,764
Cell Phone Allowance	18,000	6,000
Skills Development	9,170	7,709
	958,406	838,802

Remuneration of Director Local Economic Development

Annual Remuneration	929,909	480,904
Car Allowance	-	55,933
	-	26,754
Performance Bonuses	-	25,546
Contributions to UIF, Medical and Pension Funds	1,498	70,623
Other	-	10,702
Cellphone Allowance	18,000	10,400
Skills Development	8,809	9,563
Acting Allowance	-	309,360
Standby Allowance	-	22,292
Housing Allowance	-	5,488
Termination leave	-	61,534
	958,216	1,089,099

Remuneration of Chief Audit Executive

Annual Remuneration	770,305	173,465
Car Allowance	120,000	20,000
Cellphone Allowance	18,000	4,500
Contributions to UIF, Medical and Pension Funds	1,852	446
Skills Development Levy	8,740	1,843
	918,897	200,254

27. Remuneration of councillors

Mayor	845,362	832,732
Speaker	625,034	625,046
Councillors	7,942,687	7,798,759
Officials in political office	2,008,500	1,380,397
	11,421,583	10,636,934

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
27. Remuneration of councillors (continued)		
In-kind benefits		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.		
The Mayor has one full-time bodyguard .		
28. Debt impairment		
Contributions to debt impairment provision	42,819,496	(35,018,001)
Bad debts written off	21,700	-
	42,841,196	(35,018,001)
29. Investment revenue		
Interest revenue		
Bank	668,097	84,764
Interest on loan debtors	72,960	14,045
	741,057	98,809
30. Fair value adjustments		
Other financial assets		
• Listed Funds	691,673	19,651
31. Depreciation and amortisation		
Property, plant and equipment	37,167,592	26,466,062
Investment property	70,641	70,641
	37,238,233	26,536,703
32. Finance costs		
Interest on trade payables	1,155,219	309,241
Finance leases	108,053	171,116
DBSA Loan	751,103	828,473
	2,014,375	1,308,830
33. Auditors' remuneration		
Fees	3,110,944	3,266,161
34. Rental of facilities and equipment		
Premises		
Premises	129,801	98,628
	129,801	98,628

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
35. Contracted services		
Lift maintenance	23,269	15,699
Security services	5,704,913	5,312,681
	5,728,182	5,328,380
36. Bulk purchases		
Electricity	35,132,052	34,968,683
37. Cash generated from operations		
(Deficit) surplus	(28,878,424)	76,549,797
Adjustments for:		
Depreciation and amortisation	37,238,233	26,536,703
Fair value adjustments	(691,673)	(19,651)
Debt impairment	42,841,196	(35,018,001)
Movements in retirement benefit assets and liabilities	5,995,000	5,185,000
Movements in provisions	4,935,419	(954,000)
Inventory adjustment	(2,335,496)	-
Other non-cash items	7,444,765	27,208,672
Changes in working capital:		
Inventories	(1,145,353)	1,573,966
Receivables from exchange transactions	457	1,941,143
Consumer debtors	(14,992,367)	(42,844,932)
Other receivables from non-exchange transactions	(4,788,877)	(2,779,271)
Payables from exchange transactions	(10,382,265)	29,651,274
VAT	(2,496,595)	(776,219)
Unspent conditional grants and receipts	26,145,249	(28,906,826)
Consumer deposits	176,634	41,700
	59,065,903	57,389,355
38. Commitments		
Authorised capital expenditure		
Already contracted for		
• Property, plant and equipment	25,489,891	39,632,568
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	-	23,000,000
Total capital commitments		
Already contracted for but not provided for	25,489,891	39,632,568
Not yet contracted for and authorised by accounting officer	-	23,000,000
	25,489,891	62,632,568
Authorised operational expenditure		

This committed expenditure relates to projects and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
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39. Contingencies

39.1 Court Proceedings:

Municipality is being sued for some of the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities is uncertain. The amounts disclosed below are possible outflows amounts:

Litigation and claims

Opening Balance	4,718,004	900,000
Current year	1,502,151	2,935,250
Adjustment to prior year	-	882,754
	6,220,155	4,718,004

40. Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Note 24 and 25 respectively, to the Annual Financial Statements

41. Prior period errors

During the current period adjustments were processed for the previous financial periods.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Inventory	-	(419,110)
Long-term liabilities	-	(80,672)
Trade and other payables	-	(863,793)
Consumer Debtors	-	16,372,333
Opening Accumulated Surplus or Deficit	-	(111,115,689)
VAT	-	286,770
Property, plant and equipment	-	119,724,851
Investment Property	-	8,675,604
Receivables from exchange	-	(6,459,550)
Heritage assets	-	(76,629)
Other Financial assets	-	1,218,272
Receivables from non exchange	-	(11,469,820)
Cash and cash equivalents	-	(14,326,578)

Statement of Financial Performance

Licences and permits	-	(2,377,082)
Investment Income	-	16,605
Bonus Provision	-	278,813
Finance Costs	-	(369,854)

42. Comparative figures

Certain comparative figures have been reclassified.

Notes to the Annual Financial Statements

43. Risk management

Financial risk management

Council has overall responsibility for the establishment and oversight of the entity's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits

The municipality's Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates. The entity's exposures to interest rates on financial assets and financial liabilities are detailed below.

At year-end, financial instruments exposed to interest rate risk were as follows:

- Call and notice deposits
- Development Bank of Southern Africa loans

44. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

45. Unauthorised expenditure

Current year	19,500,225	15,065,331
Amount condoned	-	(15,065,331)
	19,500,225	-

46. Fruitless and wasteful expenditure

Opening balance	1,580,903	923,080
Current year	1,454,043	657,823
	3,034,946	1,580,903

The expenditure is caused by interest charged on overdue accounts of Eskom, Telkom and Auditor General South Africa.

47. Irregular expenditure

Opening balance	44,560,341	20,913,090
Add: Irregular Expenditure - current year	6,919,145	23,647,251
	51,479,486	44,560,341

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Non-compliance	None	6,919,145

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,066,844	500,015
Amount paid - current year	(1,066,844)	(500,015)
	-	-

49. Distribution Losses

Electricity Distribution Losses

KWH	17,246,408	19,905,117
	-	-
Total Loss	12,187,935	10,428,620
	-	-

The main reason for incurring electricity losses relates to heat dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering. Cost per KWH R0.706 (2014: R0.496)